

**ROUTING**

**Top Secret** 219

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NATIONAL INTELLIGENCE DAILY CABLE

Wednesday 24 May 1978

CG NIDC 78/121C

**NATIONAL SECURITY INFORMATION**

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State Dept. review completed

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National Intelligence Daily Cable for Wednesday, 24 May 1978

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The NID Cable is for the purpose of informing senior US officials.

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ZAIRE: Situation Report

25X1 [redacted] //French, Belgian, and Zairian forces are attempting to improve security in Shaba Region now that they control Kolwezi. [redacted]

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25X1 [redacted]  
25X1 [redacted]  
25X1 [redacted] French Legionnaires in Kolwezi continue to search the area for members of the Katangan invasion force and surviving Europeans. A French Defense Ministry spokesman announced yesterday that the death toll among foreign nonbelligerents had risen to some 200 and that other foreigners are still missing.

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25X1 [redacted]  
25X1 [redacted] Some retreating Katangans have arrived in Zambia on their way back to Angola. [redacted]

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25X1 [redacted] Several columns of Katangans have moved through the area since Sunday evening. [redacted]

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25X1 [redacted] European hostages remain with the retreating Katangans. The hostages are to be transported directly to Angola.

25X1 [redacted] //A high-level Belgian official told the US Embassy in Brussels that on Monday night the Belgian Cabinet confirmed the decision to keep a 500-man battalion at Kamina after most of the 1,200-man Belgian paratroop force withdraws. The battalion will stay in Kamina "indefinitely" to guarantee the security of Belgians remaining in the region. French military officers in Zaire have asked the Belgians to move to Lubumbashi to assure the security of the important mining town, but the Belgians have not yet responded to this request.//

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UGANDA: Impact on US Coffee Boycott

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[redacted] The decision by US coffee roasters to stop buying Ugandan coffee--Kampala's major foreign exchange earner--will be another blow to Uganda's nearly defunct modern economy.

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[redacted] //Uganda will be forced to search international markets for alternative customers and may resort to disguising some of its exports by labeling them as Kenyan. [redacted]

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[REDACTED]

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[REDACTED] Kampala is also likely to shave prices to maintain sales.//

[REDACTED] The boycott is not likely to have a significant impact on world coffee prices, which are dominated by Brazilian and Colombian producers.

[REDACTED] //Officially, US companies purchased about \$216 million worth of Ugandan coffee during the first nine months of 1977, about one-third of Uganda's total coffee exports. An unknown amount of smuggled Ugandan coffee may have been purchased under a different label. Major US purchases of Ugandan coffee began in 1976 following frost damage to Brazil's coffee crop a year earlier. Ugandan production, however, has been slipping steadily since 1973 and is currently below 1970 output.//

CUBA-ETHIOPIA: [REDACTED]

[REDACTED]

[REDACTED] Somali President Siad reiterated in a speech on Monday that Somalia would continue to provide assistance to the liberation groups in the Ogaden. Siad said that Somalia did not incite the liberation forces to fight for independence, but it could not stop them from doing so.

[REDACTED] He noted Ethiopian Chairman Mengistu's recent threat to take military action against Somalia if it continued to support the insurgents; he obviously was attempting to demonstrate that he is not intimidated by Mengistu's remarks. [REDACTED]

BRAZIL: Defiance of Strike Ban

[REDACTED] *Some striking industrial workers in Sao Paulo have reportedly begun to return to the job, but the military government remains concerned over the implications of massive defiance of its ban on strikes.*

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About 9,000 Ford workers said they would resume work after the company agreed to give serious consideration to their demands. Strikers at several other companies apparently are still off the job. About 25,000 employees in Brazil's industrial heartland started their job action over a week ago to back demands for higher wages. They want increases 15 to 20 percent higher than those granted by the regime earlier this year.

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This is by far the largest strike since the military took power in 1964, and it has government leaders worried for several reasons. The workers' action constitutes a serious challenge to the military's authority. Indeed, some officers may argue that firm action is needed to keep the unrest from spreading.

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Moreover, the strike could have serious economic repercussions. The wage demands run counter to government efforts to control inflation, now running at over 35 percent annually. Controlled wages have been a major part of the government's longstanding attempts to contain inflation. These efforts led to a 2.5-percent decline in real wages during 1977 and have caused steadily growing worker resentment.

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In addition, government officials realize that the longer the strike goes on the more seriously it will affect industrial production and sustained growth. The regime has based its claim to power largely on its professed ability to deliver on promises of impressive economic growth.

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Throughout the strike there have been no reports of violence, and the government has not seemed inclined to back up its ban on strikes by force. Indeed the regime, conscious of its eroding public image, probably hopes to achieve a conciliatory solution. Although the government cannot afford to give in too readily or too obviously, it may have quietly passed the word that there is some flexibility in its wage policy.

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At the same time the regime may have assured Ford it could raise prices to cover the cost of a pay boost. If the regime has indeed opted for a policy of quietly making concessions, it will probably have ample opportunity to employ that technique as other groups in an increasingly complex economic and political environment make their own demands.

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PERU: Situation Report

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[ ] A two-day nationwide strike continued to paralyze most of Peru's industry and commerce yesterday, but a massive show of force by the military in Lima appears to have prevented major disturbances like those that claimed five lives on Monday.

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[ ] Authorities exercised greater control in central areas as tank columns crisscrossed the city, but roads leading out of the capital remained blocked, and gangs of youths rampaged through surrounding shantytowns for the second consecutive day. The work stoppage was also observed again in large provincial centers but apparently did not result in any significant disturbances.

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[ ] The strike was due to end at midnight last night, but some posters appearing in the seaport of Callao--possibly the work of the ultraleft--called for an indefinite walkout. The Communist labor confederation and other unions sponsoring the strike are opposed to extending it.

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[ ] The government probably will face continued protests over the austerity measures. Should the protests become prolonged, constituent assembly elections, already rescheduled for 18 June, could be further delayed. [ ]

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DOMINICAN REPUBLIC: Tense Vote Count

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[ ] Center-left Dominican Revolutionary Party candidate Antonio Guzman appears headed for victory in the presidential election. President Joaquin Balaguer will probably prevent serious violence by conceding defeat, although the intentions of the ruling party are still not clear. If Guzman is elected, the Dominican Republic could begin a period of instability.

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[ ] With two-thirds of the vote officially tabulated, Guzman's two-to-one lead in the urban areas continues to offset Balaguer's strong showing in the countryside. There is still an outside chance that an eleventh-hour swell of support could put Balaguer ahead.

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[ ] Long delays in vote counting are fueling the tensions that arose from last week's military intervention. Opposition leaders, who assert that police discrimination against their supporters continues, apparently fear that the ruling party might still cheat them out of the election.

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[ ] Although the interruptions could be caused by administrative problems, they are nevertheless buying time for the ruling party--which continues to claim victory. Party leaders are trying to implicate the opposition in large-scale fraud and to excite anti-Communist sentiment that would be damaging to Guzman. There is little chance that Balaguer's party, fresh from its own blatant attempt at fraud, will get much mileage from these unconvincing attacks; yet the frantic campaign has exposed a hard core of Balaguer loyalists unwilling to accept the Guzman victory that most Dominicans expect.

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[ ] //Balaguer will probably concede defeat if his supporters fail in their last-ditch efforts to keep him in power. He apparently wants neither a military coup nor the violence that would result from an openly fraudulent reelection. He has been angered by adverse international reactions to his government--especially from the US and Venezuela--but has clearly acted to ease them.//

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[ ] The military evidently appears willing to let Guzman take office. Military leaders have apparently been stung by global criticism of their botched intervention last week and seem to recognize that there is little support for a coup and scant possibility of reviving the anti-Communist hysteria that fueled military interventions in the 1960s. Resigned to a Balaguer defeat, they are probably concentrating on hard negotiations with Guzman.

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[ ] Guzman's election, if confirmed, will probably remove the threat of immediate violence, but it will also unleash new tensions. In the three-month transition period, the moderate Guzman will have to take firm control of his pluralistic party, avoid potentially violent confrontations with die-hard Balaguer supporters, and negotiate his way through deep mistrust and hostility to develop a working relationship with the military.

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[ ]

BRIEF

Egypt

25X1 [ ] Egyptian President Sadat strongly condemned his opponents during a press conference yesterday, but did not announce any specific measures against them in the aftermath of his referendum victory on Sunday. Sadat directed his harshest comments against the left, which he accused of trying to lead Egypt into a "bloodbath and class warfare." He told rightist leaders simply to remove themselves from public life. At the same time Sadat sought to allay fears that he was inaugurating more repressive rule.

25X1 [ ] Sadat's strident tone appeared to be a rhetorical substitute for an immediate harsh application of the new powers approved for him by voters on Sunday and due to be codified by the People's Assembly this Saturday. He will certainly try to silence his more troublesome critics, but he may wish to measure carefully the application of his "mandate" in recognition of the unpopularity of his tactics. Reporting by the US Embassy indicates the government exaggerated both the turnout and the enthusiasm of voters during Sunday's balloting.

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